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Dana, Richard Henry

Squandered taxes

New York

1921

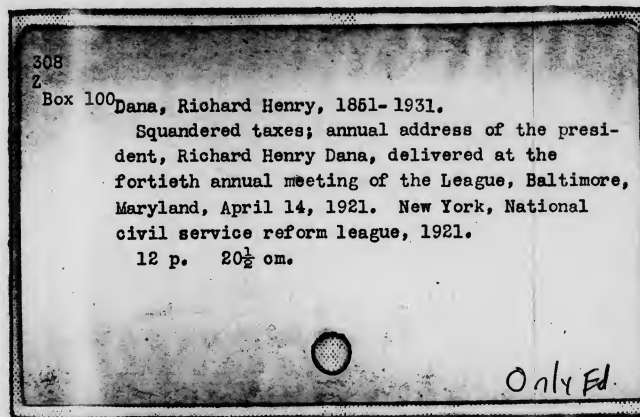
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Gift of the President

Squandered Taxes

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Annual Address of the President

Richard Henry Dana

Delivered at the Fortieth Annual
Meeting of the League
Baltimore, Maryland.
April 14, 1921.

NATIONAL CIVIL SERVICE REFORM LEAGUE
8 West 40th Street
New York City

1921

U.S. F. 27, 1423
Re-

SQUANDERED TAXES

We are under a staggering burden of taxation, national, state, and municipal. Our workers groan with the additional cost of every necessity of life, our industries are greatly hampered, and our business men are in undeserved financial straits. The public benefit, that is the value received, bears a frightful disproportion to the taxes laid to get the revenue.

The peculiarity of our present tax system seems to be that the cash or cream of our industrial system is skimmed for public revenue and the plants of brick and steel, with depreciating inventories, are left to the producers. This is so pronounced that recently quantities of fine securities—government bonds included—the raw material and the businesses themselves in some instances have been auctioned at ruinous prices and subsequent losses just to get money with which to pay the taxes.

Public indebtedness, national, state, and municipal, has grown enormously, wholly apart from all things directly connected with the war.

The practical man of affairs will say in comparison to this enormous burden, efficiency in the government's civilian service is but a trivial matter. He would direct us rather to look to new methods of taxation. Some ways of plucking the feathers from the goose may be less wasteful and less painful than others, but if the number of feathers is large, the process can never be wholly without pain to the bird and damage to its health.

Is efficiency in the service such a trivial matter? Let me call attention to the very large proportion of our annual taxes that is spent for salaries alone of the civilian service. For the Federal government, even after considerable reduction since the armistice, it was about \$800,000,000 a year as of July, 1920. In municipalities it averages one half the total current expenses including interest and sinking fund payments on indebtedness; in states it varies from one third to one half. But the expenditure for salaries is not the limit of total cost. There has to be provided floor space, heating, supplies, and equipment. There-

fore, any decided improvement in efficiency is no small matter considering this enormous total.

One-Quarter of Our Taxes Could Be Saved

I assert with confidence that apart from the interest on the national war debt, one quarter of all our national, state, and municipal taxes could be saved if the whole program of the National Civil Service Reform League were adopted and thoroughly carried out. The question then becomes one of vast importance to business as well as being a moral issue for the purification of politics. Furthermore, as to our war debt, does any one doubt that this would have been cut in half if all inefficiency, graft, and carelessness had been eliminated?

Taxes are squandered first in the civil service itself. The system of competitive tests of fitness to enter it covers only about 60% of the national civilian service; only ten out of the forty-eight states in the Union and a small minority of our cities and counties have the system applied on any large scale. There is a vast amount of incompetence in the part that is still in politics and though a far less amount, yet only too much in the portion that is under the merit system. In both there are many supernumeraries, much unnecessary duplication of work, much useless motion, antiquated methods, and far too large an overturn of employees, while even the fit tend to become routine, slow, and red tape in their methods under the deadening influence of bureaucracy.

There are not enough removals and what removals there are, are often of just the wrong persons. There is very little to stimulate the employees to do their best and not much reward for honest, effective, and faithful service. The best paid positions at the top are inaccessible to them, being given to outsiders as political favors. There is no business-like or scientific supervision, standardization of work, and measurement of either individual or group efficiency. There is glaring inequality of pay for identical kinds of work, no automatic hearing and adjustment of complaints from government employees to avoid irritation and strikes, and no general use made of citizen criticism. The lack of careers in the civil service induces the brighter men to resign for private business, and the changes or overturn from these resignations is enormous. The average turnover in the national service is now about 40%

and as high as 69% in the scientific and professional branches and in the Bureau of Standards, for example, 161%. The loss from this alone has been officially estimated by the heads of these departments to be 25% of the total cost; that is, one quarter of our taxes used for the departments is wasted in overturn alone.

Too Many Politicians as Managers

Second, taxes are squandered also in the extravagant cost of all government work almost everywhere and this is so chiefly because all the management, that is, all those who direct the work, control the purchase of supplies, make the contracts, and supervise their execution, are politicians, for the most part unfitted for their jobs, changed with almost every election and working more for partisan politics than public benefit. The situation has been described by investigators as being chaotic.

Private business is directly affected, as by delays in the postal service, in the passage of goods through the custom houses, in the application of patents, in income tax inspection, in the Bureau of Fisheries and labor statistics and in the agricultural department half of its work is wasted if the information does not reach the farmer promptly.

Taking these two sources of waste together, we are safely within bounds when we say that one quarter of our taxes are uselessly squandered.

What, then, is the League's program that promises so great a saving of squandered money?

Program of the League

The program is divided into three parts; first, an extension of competitive tests of fitness for original appointments; second, the employment of business organizers and efficiency specialists to bring in the best practices of modern business and generally to renovate and keep fit the government departments; and third, the securing of honest and capable management by putting it into the hands of high-grade professional and scientific experts with permanent tenure, independent of partisan obligations and political changes.

While this program seems promising in theory, our practical man of affairs will ask, "How far have these parts been tried and with what success?" The first, the merit system of appointment, has been tried on far too large a scale to leave

any doubt of its general improvement over appointment without selective tests of fitness. It has been officially calculated by those who saw both the old spoils and the then new merit system in operation, such as Secretary of the Treasury, Mr. Windham, the general superintendent of the railway mail service, a former head of the Census Bureau, the late Carroll D. Wright and the chief of the U. S. Bureau of Printing and Engraving, Mr. Graves. They officially stated that the saving was about 30% over the spoils system and lately, since the war, we have had fresh illustrations. In Great Britain two official commissions, after thorough investigation, proved that the regular civil service did far better and less costly work than the so-called "business bureaus" selected without regular tests of fitness during the war.

Waste and Inefficiency Under Spoils System

With us we all know the wanton waste of money and the general mix up in the War Risk Bureau, the blackmail, graft, and neglect, and criminally poor appointments in the Prohibition Enforcement Service under the Volstead Act and the "waste, inefficiency, lack of coordination, delays," etc., in the Shipping Board found in the unanimous report of the Congressional Committee. All of these boards and bureaus were in practice or by law largely exempted from civil service rules. The U. S. deputy collectors of internal revenue, who were also exempted by act of Congress in the early part of President Wilson's first administration, are responsible for much of the delay and incompetency in the administration of the federal income tax and for the loss from U. S. bonded warehouses of vast amounts of whiskey which have somehow got out and been sold at high private profit, contrary to law.

On the other hand, the regular subordinate force in the War, Navy, and Treasury Departments did most honest, faithful, and efficient service under the stress of war. And, again, the Drug Enforcement Bureau, which is within the merit system of appointment, has not only enforced the law but its head, Colonel L. G. Nutt, has recently said that he would not like to select his employees in any other manner.

Scope of New Practical Examinations

May I say a word as to the so-called "examinations" or "tests"? There are some 1,700 wholly different kinds for the varied service of the federal government alone. The cal-

culator of the nautical almanac is examined in higher mathematics. A slight mistake in his calculations might send a ship on the rocks. Tests of speed and accuracy in reading addressed envelopes is part of the examination of a railway mail clerk. A drawbridge tender may be asked among other things about the way to let a vessel through a draw with or against the current and on the working of a stationary engine. A foreman of laborers is asked, for example, as to the best way of moving piles of loose gravel to different distances, whether by shovels, wheelbarrows, or carts. Bench tests are used in selecting skilled mechanics. In all cases where experience is required, experience is given a large part of the total mark. In some cases, as in parts of the Drug Enforcement Bureau, experience is the whole of the so-called "examination"; indeed, it is an examination into experience and character.

The Saving in Chicago

Second, the energizing and perfection of the government service itself has been tried on a large scale in Chicago. There it saved \$5,000,000 a year of formerly squandered taxes in the civil service salary budget and a still greater sum in having the city's work better done. In Canada on a still larger scale than in Chicago, it has been recently applied, saving a large amount of taxes not yet definitely ascertained but calculated to be many millions. In Chicago, where it was first tried, it was inaugurated by the local civil service reform association, one of the branches of our League, because its members saw and acknowledged that proved capacity at the entrance was not enough but that efficiency should be maintained and department methods improved. How did this plan work out in practice? A larger number of removals were made than before until the force was thoroughly sifted. It was found easier for an officer to make a removal when he had the support of accurate findings by employment engineers than when doing it on his own say so. Supernumeraries also were got rid of, unnecessary duplication of work abolished, and modern business methods introduced.

Let me give one example of saving by improved organization. It is small of itself but typical of very many others, some of which are very much larger. In the hospital for Cook County, in which is situated the City of Chicago, three extra persons were requested for the laundry department. Two

efficiency engineers and a laundry expert examined the situation and chiefly by adopting a scientific routing of the work so as to save unnecessary handling, it was found that the washing of this great hospital was done with two less instead of three more employees.

Complaints Filed by Citizens

A part of the system is to hear complaints by citizens. Let me illustrate. In the same hospital some municipal painters were discovered to have wasted a whole day doing nothing. One of the doctors complained to the civil service commission. At the hearing the painters endeavored to excuse their idleness on the ground that the paints and brushes had not arrived. They were asked if they had used the hospital telephone to notify the department of this omission and they admitted they had not. As a result the painters had some pay docked and those who should have seen that the paints and brushes were on hand suffered a similar penalty.

Again, it developed that by citizen complaint and civil service hearing, laws could be enforced and graft stopped. For one example, complaint was made by the Illinois Board of Trade that the State inspector had passed grain for a business firm as A1 when it was in fact B2. To have tried this inspector for bribery in a criminal court would have taken weeks of time, with very little chance of conviction. In this case the inspector was summoned before the civil service commission. A sample of the grain he had passed was shown and also of the real A1 and he was asked to explain. He was in a dilemma on one horn of which he had to confess that he had knowingly committed a fraud and on the other, that he was incapable of distinguishing the difference. He chose the latter. He was discharged for inefficiency, a new man was appointed in his place under the civil service methods, and no similar complaint has ever been made against this department.

The practical man of affairs will say, Can we not look to Congress to bring about the improvement of the departments? Congress may see the deficiencies just as a Board of Directors of a private corporation, but neither the members of Congress nor the directors can work out the system in detail. This must be done by men trained in the profession. The very last Congress appointed a special commission, which in its reports sustained the League's program and a bill is before Congress,

drawn by our League, to carry out those recommendations. The employment experts are needed not only to straighten out the departments, but a certain number should be permanently retained to keep the service fit.

Securing Good Management for Public Work

Now as to the third, that is securing good management for public work. It requires as a foundation the separation of the policy determining officials from those who are purely administrative. What, then, should we call the policy determining bodies? In the national government they are Congress, the President, and his cabinet; in the state, the Governor and legislature and perhaps a few elected officials; and in municipalities, the Mayor and City Council or Municipal Commission in cities having the commission form. These policy determining officials, who are purely political and should be so, should be confined in their activities to the settling of public policies, making appropriations, and exercising a general critical oversight. The carrying out of these policies should be left to the professional and scientific experts with permanent tenure, independent of change of party.

This does not mean government by experts. The government or establishing of policies would be by representatives of the people. It means scientific administration. Such administration exists in Paris and in municipalities of England and Germany, where there is no such squandering of city taxes as exists in this country, according to all recognized authorities.

In the National government, too, of France, England, and Germany, the under-secretaries, those just below the cabinet officers, are permanent officials of great ability, education, and experience, who can both advise as to policies and carry them out when decided upon.

Selection of Executives

Now, how can such persons be selected in this country so as to secure both executive and organizing ability and independence of political changes? The answer is, In just the same way that the president of a railroad selects his general manager and the general manager the superintendents of divisions. That is by inquiry into the past education, training, experience, and achievements of the candidates and their capacity to get on with other men. That is substantially

the way in which it is done in England. Under civil service commissions in this country, this sort of investigation has been done in a thorough and legalized manner. For many years engineers, physicians, supervising architects, sanitary experts, lawyers, road builders, librarians, presidential postmasters, etc., with salaries up to \$10,000 a year, in more than a thousand instances have been selected in this way. No educational examinations are used but questionnaires are sent to the candidates at their post office addresses and to those who have employed them, and from the information thus gathered, plus perhaps a thesis by the candidates on the way the departments in question could best be carried on, the grading of the candidates is made. This grading is done not by the civil service commissions themselves or their ordinary examiners but by high-grade men of appropriate professions and from among the highest thus graded the selection is made.

But will eminent professional and technical experts apply? The answer is that they do. Apparently they prefer to be appraised on their merits ascertained in this way by men of their own profession than to use political and social influence to secure appointment.

On the other hand does the system of political appointment, let me ask, furnish us eminent professional and scientific experts? The political mayor or governor does not want them and even a reform executive, trying to get the best to serve under him, what can he offer but a tenure no longer than his own term of office, and on a change of administration the expert must go back to private life, build up a practice anew and meanwhile, when in office, he is under pressure to aid the political fortunes of his chief, so he fails to get them.

On the other hand, under the merit system such professional and scientific men are offered permanent careers of public usefulness. As it is now in our country, the chief trouble is that while we appoint many high-grade experts, they are only assistants to heads of departments. The real heads are political. They have the final say as to specifications for all contracts, can put in jokers, and then have the contracts so enforced as to favor their political friends and injure all other contractors. It becomes just as plain as if written in large letters on city halls and state houses that none but favored contractors need apply. As an evident consequence, that leaves all the contracts and the purchase of supplies in politics as

well as the best paid jobs, with great opportunities for graft to enrich the worst and defeat the best in our public life.

Scientific Administration Secures Continuity of Policies

Under scientific administration, as in our program, we secure continuity of policies with thorough knowledge of the history of each department and a great opportunity to prepare scientific budgets. In Los Angeles, California, alone in our country, is this plan in full force. There, it is reported, the contracts are out of politics and harmony, co-operation, and wise economy prevail.

In our national government the assistant secretaries of the departments and many chiefs of divisions are changed with each administration, even when there is no change of party. The result is there are practically no persons left who understand the situations that have to be met. An assistant secretary of the treasury reported, when he came into office some years ago, that there was no one left in the department who knew about the unsettled claims against the treasury and he had to go to the attorneys of the claimants to find how matters stood. It is true that in the State Department they have had Mr. Adee through many administrations, but he is the one single exception that proves the rule.

Our Program Practical

Is our program that of civil service reformers alone? No, it has the support of several commissions, especially of the Taft Efficiency Commission and of the recent Joint Congressional Commission on Reclassification of Salaries in the national civil service, to say nothing of individuals of experience in large affairs, government and private.

Why not all get together on this program? Our practical man of affairs may say that there have been many other reforms of much promise that have produced very small results if any. There is the Australian Ballot Law. It has made it harder to bribe voters and elections are more orderly, but it has had no appreciable effect on squandering of taxes. The open primaries are admittedly a failure. The short ballot is better than a long one but it has not stopped public squandering. The commission form of municipal government, after a few successes, has accomplished nothing in the same line. The same may be said for the plan for city managers and its failure

is because the managers are the creatures of politicians, by politicians, and for politicians. No better success has occurred with the theory of executive responsibility, elections at large or by districts, the budget system, minority representation, preferential ballot, compulsory voting, or female suffrage, and why? After all, these relate to forms of government and of these Pope says:

"For forms of government let fools contest,
Whate'er is best administered is best."

Our full program furnishes capable and honest administration, thus going to the very root of the matter. Even the selection by competition for entrance into the civil service alone of itself and applied as it usually is, chiefly to subordinates, has done only a part, though no small part, in checking the squandering. Stopping the reform there is like locking up the pennies, nickels and small change in the civil service safe and leaving the gold coin and paper money outside.

Let me, then, summarize this convincing program. First, it stops patronage of public places by extension of competitive tests; second, it energizes, simplifies, and perfects the public service and keeps it fit; and third and most important of all, it secures permanent expert management; and finally, all parts of our program have been put to the test of actual and successful experience in one part of the world or another.

No one for a moment supposes that politicians will of themselves further this program. The only way, then, to stop this enormous squandering of taxes is for all well wishers of good government to get together and force the program on unwilling legislatures.

and moral improvement such as is worthy of a great and intelligent self-governing people?

Is this not a cause of both financial and moral improvement such as is worthy of a great and intelligent self-governing people?

RICHARD HENRY DANA.

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